

**Interim Review of
Design, Right-of-Way Support,
Construction Support, Right-of-Way and
Construction of High Occupancy Vehicle
(HOV) Lanes on the Northbound and
Southbound Interstate 405 from Route 90
to Route 10**

08-CAL-G05

APRIL 2009

MOU P0002206



Metro

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EXECUTIVE SUMMARY

At the request of the Project Manager, Robert Machuca, an interim review was completed by Los Angeles County Metropolitan Transportation Authority (Metro) Management Audit Services (Management Audit) for the Transportation Improvement Program (TIP) call for project Memorandum of Understanding (MOU) P0002206. This MOU is with State of California, Department of Transportation (Caltrans) for design, right-of-way support, construction support, right-of-way and construction of High Occupancy Vehicle (HOV) lanes on the Northbound and Southbound Interstate 405 from Route 90 to Route 10.

The MOU total project budget amount is \$157,838,000 which includes design, right-of-way support, construction support, right-of-way and construction. The scope of this review is limited to construction cost of \$116,355,000. The project budget for construction cost is comprised of the follow:

- \$2,811,000 or 2.42 percent of Prop C 25 percent fund (Metro's share);
- \$12,495,000 or 10.74 percent of Regional Surface Transportation Program (RSTP);
- \$86,270,000 or 74.14 percent of State Transportation Improvement Program – Regional Improvement Program (STIP-RIP);
- \$14,779,000 or 12.7 percent of Congestion Mitigation and Air Quality Improvement Program (CMAQ).

The period under review is December 20, 2001 to July 27, 2007. This interim review is based on the original MOU and amendment one which are in effect during the period under review.

The total project incurred cost of \$77,726,455 is from the MOU inception date of December 20, 2001 to July 27, 2007. Based on this interim review the total allowable project cost for the period under review is \$77,726,455. Metro's share of the total allowable project cost is \$1,877,780 or 2.42 percent. Caltrans has been reimbursed \$1,729,150 of the allowable project cost and no retention was withheld. The difference in the allowable project cost and billed project from inception to July 27, 2007 is \$148,629. As of July 27, 2007 the remaining balance on this MOU is \$1,081,850 (\$2,811,000 - \$1,729,150) and according to Caltrans Project Manager this project about few months from completion.

INTRODUCTION

Background

This MOU is between Caltrans and Metro. The objective of the project is for design, right-of-way support, construction support, right-of-way and construction of High Occupancy Vehicle (HOV) lanes on the Northbound and Southbound Interstate 405 from Route 90 to Route 10. The project will alleviate congestion, create rides-sharing usage and reduce air pollution. The total estimated project cost is \$157,838,000 and Metro's share is \$2,811,000. The MOU commenced on December 20, 2001 and lapsing on June 30, 2009.

Objectives

The review objectives were to:

- Determine the allowability, allocability and reasonableness of the incurred cost.
- Determine whether costs incurred and billed were allowable under relevant cost standards and in compliance with the specific general terms of the MOU and project management guidelines.
- Determine whether costs incurred were properly and accurately charged to the MOU, were reasonable in amount, and were supported by documented evidence.
- Determine whether costs were properly recorded for reimbursement purposes and that reimbursements were received by Caltrans and the Metro's accounting records properly reflect these transactions.
- Determine whether invoices were submitted within the lapsing date and within the period for which the funds were programmed.

Scope

The scope of this review is limited to \$116,355,000 for construction cost and the amounts invoiced by Caltrans for costs incurred from December 20, 2001 to July 27, 2007.

We conducted this attestation review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

INTRODUCTION

We used the cost principles contained in the Federal Acquisition Regulation (FAR) Subparts 31, and the MOU Provisions to evaluate and analyze the incurred cost.

The cost claimed is the responsibility of Caltrans. Our responsibility is to express a conclusion based on the review. The review report is intended solely for the use of Metro's management and should not be used for any other purpose without first consulting Management Audit.

Methodology

We selected invoices submitted by Caltrans and traced various costs included on the invoices to supporting documentation such as vendor's invoices. We reviewed the costs for allowability in accordance with applicable cost standards and compliance with the terms and conditions of the MOU. We also reviewed our internal accounting and grant records to determine if the amounts claimed for reimbursement, as represented by the invoices submitted by Caltrans, were actually paid.

RESULTS

Conclusion

The total project cost of \$77,726,455 was incurred from inception of the MOU December 20, 2001 to July 27, 2007. We did not question any incurred cost from this interim review. Therefore, the allowable project cost is \$77,726,455. Metro's share in Prop C 25 percent fund of the total allowable project cost is \$1,877,780, or 2.42 percent. Caltrans was reimbursed \$1,729,150 and no retention has been withheld. The difference in the allowable project cost and billed project from inception to July 27, 2007 is \$148,629. As of July 27, 2007 the remaining balance on this MOU is \$1,081,850 (\$2,811,000 - \$1,729,150).

Recommendation

We recommend that a close out review be conducted after the project is completed to confirm whether there is a Prop C funds remaining on this project that may be eligible for reprogramming to other projects.

Management Response

Metro Project Manager concurred with the results and recommendations of our review.

RESULTS

Caltrans Response

In Caltrans' letter dated March 12, 2009, Caltrans agreed with our recommendation. Please see Appendix B for the letter.



Ruthe Holden
Chief Auditor
March 2009

Audit Team:

Andrew Lin
Jennifer Joh
Rey Alimoren
Kathy Knox

 APPENDIX A

INTERIM REVIEW
 MOU P0002206
 DESIGN, RIGHT-OF-WAY SUPPORT, CONSTRUCTION SUPPORT,
 RIGHT-OF-WAY AND CONSTRUCTION OF HOV LANES ON
 THE NB AND SB I-405 FROM ROUTE 90 TO ROUTE 10
 SUMMARY OF PROJECT FUNDING AND EXPENDITURES
 FROM DECEMBER 21, 2001 TO JULY 27, 2007

Description	Budgeted Costs	Percent Allocation	Total Project Cost Per PCS	Allowable Project Cost	Payments	Difference
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f = e - d</i>
Construction:						
RSTP	\$ 12,495,000	10.74%	\$ 8,346,801	\$ 8,346,801	n/a	
STIP-RIP	86,270,000	74.14%	57,629,335	57,629,335	n/a	
CMAQ	14,779,000	12.70%	9,872,539	9,872,539	n/a	
Prop C 25% ^(g)	2,811,000	2.42%	1,877,780	1,877,780	1,729,150	148,629
Total	\$ 116,355,000	100.00%	\$ 77,726,455	\$ 77,726,455	\$ 1,729,150	\$ 148,629
				MOU balance remaining	\$ 1,081,850	(g - e)

APPENDIX B

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY

ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF TRANSPORTATION
AUDITS AND INVESTIGATIONS
1304 O STREET, SUITE 200
P. O. BOX 942874 MS 2
SACRAMENTO, CA 94274-0001
PHONE (916) 323-7111
FAX (916) 323-7123
TTY 711



*Flex your power!
Be energy efficient!*

March 12, 2009

Mr. Robert Machuca
Project Manager
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza (MS 99-22-2)
Los Angeles, CA 90012-2952

Dear Mr. Machuca:

Thank you for the opportunity to respond to the draft audit report on the interim review performed on Memorandum of Understanding (MOU) P0002206 between the Los Angeles County Metropolitan Transportation Authority (Metro) and the California Department of Transportation (Caltrans). The purpose of this MOU was for design, right-of-way support, construction support, right-of-way, and construction of High Occupancy Vehicle (HOV) lanes on the Northbound and Southbound Interstate 405 from State Route 90 (SR-90) to SR-10.

The purpose of the interim review was to determine the allowability, allocability, and reasonableness of invoices submitted by Caltrans for the period of December 20, 2001, to July 27, 2007. The scope of the interim review was limited to construction costs of \$116,355,000.

Metro auditors concluded that out of the budgeted amount of \$116,355,000, the total project cost for construction was \$77,726,455. Caltrans was reimbursed \$1,729,150 and no retention was withheld. Metro auditors are not questioning any costs and are recommending that a close-out audit be performed as soon as the project is completed so that any remaining funds can be reprogrammed to other projects.

Caltrans agrees with the conclusion of the draft report and with the recommendation that a close-out audit be performed as soon as the project is completed. Please see the attached memorandum from the Office of Project and Program Management in District 7 for the Project Manager's response.

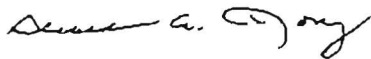
"Caltrans improves mobility across California"

APPENDIX B

Mr. Robert Machuca
March 12, 2009
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Caltrans appreciates the opportunity to respond to the draft review report. If you have any questions, or require additional information, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or Juanita Baier, Audit Supervisor, at (916) 323-7951.

Sincerely,



GERALD A. LONG
Deputy Director
Audits and Investigations

- c: Ruthe Holden, Chief Auditor, Metro
Kathy Knox, Supervising Auditor, Metro
Andrew Lin, Auditor, Metro
Tin Dinh, Metro Audit Coordinator, District 7
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Juanita Baier, Audit Supervisor, Audits and Investigations

"Caltrans improves mobility across California"

APPENDIX B

Memorandum

Date: March 11, 2009
County-Route: LA-RT 405
EA 1178U4

To: Gerald Long
Deputy Director
Audit & Investigation

From: Tad Teferi
Deputy Director, District 7
Office of Project & Program Management

Subject: Audit Report (MOU 2206) Review for the construction of HOV lanes on Rte 405 (EA 1178U4)

Dear Mr. Long,

The District concurs with the audit report.

The MTA final share to the project will be calculated and invoiced once the project reaches DED status (District Expenditure Done) and the final PCS (Project Cost Summary) is issued by Caltrans Division of Accounting.

Should you have any question concerning this response, please contact the Project Manager, Mabel Tran at (213) 897 8091.

Sincerely,



Tad Teferi
District 7, Deputy Director
Project & Program Management

CC: Goia Madriz, District 7 Reimbursement Accountant,
Cindy Wu, District 7 Reimbursement Accountant
Monir Ibrahim, District 7 Area Manager
Mabel Tran, District 7 Project Manager